



# McGill

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Wendy Macias  
U.S. Department of Education,  
1990 K Street, NW., room 8017,  
Washington, DC 20006-8502.

Dear Ms. Macias,

On behalf of McGill University, I am writing to comment on Docket IDED-2010- OPE-0009: the notice of proposed rulemaking to implement provisions related to the eligibility of foreign institutions for participation in the Federal student aid programs, published in the Federal Register on July 20, 2010.

Founded in 1821, McGill University is one of Canada's best-known institutions of higher learning and one of the country's leading research-intensive universities. McGill is also highly regarded internationally and has long ranked among the world's top universities. The university is a comprehensive institution, with a vast array of programs at the undergraduate and graduate level, as well as professional schools of medicine, dentistry, law, and business. With almost 20 per cent of our 35,000 students coming from abroad, McGill also has the most internationally diverse student body of any medical-doctoral university in Canada.

We are proud of the fact that the majority of our international students come from the U.S. Approximately 2,300 American students study at McGill, representing close to 7 percent of all students at the university. McGill has a long tradition of having a large American student presence on campus, and we benefit greatly from the different perspectives, expertise, and skills these students bring to our campus.

Our comments are directed at Section 688.23 of the proposed regulations: the provisions that deal with audited financial statements. McGill currently produces its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The proposed regulations state that foreign schools receiving more than \$5,000,000 in U.S. federal student aid funds would be required to submit audited financial statements annually under both U.S. GAAP and generally accepted accounting principles of the institution's home country. Given the large number of U.S. students on

our campus, McGill receives approximately \$9 million in federal student aid funds annually.

We understand that the Department of Education has a responsibility to make sure taxpayer dollars are being spent responsibly and effectively by evaluating the financial condition of foreign institutions that participate in federal student aid programs. Accordingly, we appreciate the intent of Section 688.23 of the proposed regulations, which is to ensure that the Department has detailed information about the financial condition and operation of foreign institutions.

Although we appreciate their intent, we are concerned that the proposed regulations will greatly and unnecessarily increase the costs and administrative burden of accepting U.S. Title IV loans for McGill and other Canadian institutions.

Compliance would be very costly for McGill. Estimates indicate that compiling a separate set of audited financial statements according to U.S. GAAP standards would range in cost between US\$250,000 and \$375,000 for outside auditors and between \$25,000 and \$50,000 in internal costs. Complying with these expensive requirements would be very difficult given our limited resources and administrative capacity.

At the same time, we believe that the requirement to submit financial statements in accordance with the U.S. GAAP will add little value to the Department of Education, since the financial condition and operation of McGill can be credibly assessed using Canadian accounting standards. Canadian GAAP are rigorous and transparent standards which have been used for a long period of time and are accepted internationally. Standards are set by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. They are also very similar to the U.S. GAAP. Coupled with Section §668.23(h)(3)(i) of the proposed regulations, which provides the authority for the Department to require financial reporting “in the manner specified by the Secretary” for institutions where any problems with financial conditions or reporting are suspected, Canadian GAAP would provide the Department of Education the assurance it needs regarding the financial condition of McGill and other Canadian universities.

As a publicly funded institution, McGill is subject to stringent regulation on a number of fronts related to the use of government funding. Our financial statements, prepared in accordance with the Canadian GAAP, are audited annually by independent auditors and are publically available. In addition, because we are a charitable organization, we are accountable to the Canada Customs and Revenue Agency which ensures charities meet their regulatory requirements. McGill also complies with annually filing Form 990 with the IRS.

McGill’s financial worthiness is also independently assessed by financial credit ratings agencies, including Moody’s and Standard & Poor’s. In their most recent ratings, Moody’s gave McGill an Aa1 rating, while Standard & Poor’s gave McGill an AA-. Moody’s states that its rating “is underpinned by the university’s exceptional student market

position, strong financial reserves, and debt levels that are low compared to other universities in North America”.

McGill has a special relationship with the United States and we are confident that this relationship can get even stronger in the years to come. We therefore ask that you consider exempting McGill and other Canadian institutions from regulations that require audited financial statements to be prepared under U.S. GAAP standards.

Thank you for your consideration of this important issue. Please feel free to contact me if you would like any additional information.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Vaughan Dowie', with a stylized, flowing script.

Vaughan Dowie